

Transcript

April 2, 2012

Attorney General Martha Coakley, joining me this afternoon to my right is my First Assistant Ed Bedrosian, to his left is Christopher Walsh, the Chief of our Criminal Bureau, to my left is Jim O'Brien, who is our Division Chief of Public Integrity and to his left is Detective Lieutenant Robert Irwin assigned from the Massachusetts State Police to the Attorney General's Office.

We're here to announce today that a Suffolk County Grand Jury has returned several indictments against former Massachusetts Treasurer Timothy Cahill. He is charged with violating state ethics law by using his official position to obtain an unwarranted advantage, he is charged in violation of our procurement laws, and he is also charged with conspiracy in connection with both of those crimes.

We allege that Treasurer Cahill gained an unwarranted and an unlawful privilege by his ability to run a television ad campaign ostensibly on behalf of the Massachusetts State Lottery, but one that was actually carefully coordinated primarily to promote his own campaign for Governor instead of promoting the interests of the Lottery and taxpayers and the cities and towns that benefit from funds from the Lottery.

In fiscal 2010, beginning on July 1, Treasurer Cahill oversaw a \$2 million advertising budget for the state Lottery allocated specifically for advertising by the state legislature. By August of that year Treasurer Cahill was also approaching the final months of his campaign as an independent candidate for Governor of the Commonwealth of Massachusetts. While that Lottery advertising budget was designed to help promote the Lottery, which in turn supports the substantial and crucial financial aid that goes to cities and towns as a result of Lottery sales, we allege that Treasurer Cahill made a decision with others to abuse his position of trust and put his own political ambition before the best interests of the tax payers by essentially allocating \$1.5 of the \$2 million budget to be used for television and radio broadcast ads during an eight week period between September and November, which was concurrent with and would benefit his own political campaign. I would note that also indicted today by the grand jury was Cahill's former campaign manager Scott Campbell, on conspiracy to violate state ethics law, procurement fraud and conspiracy to commit procurement fraud. Indictments were also returned today against Lottery Chief of Staff Al Grasioso on two counts of obstruction of justice for his alleged interference with this investigation.

By way of background, stepping back to September 2009, Treasurer Cahill announced that he would run as an independent candidate for Governor for an election in November of 2010. The state Lottery had launched an ad campaign, using 75% of its budget during an eight week period from September to November. That ad promoted the Massachusetts Lottery as the most successful Lottery in the nation and was "consistently well run." Cahill did not appear in the ad, nor was his name mentioned. Now, in late September 2010, Adam Meldrom, who was then the campaign manager for the Cahill campaign abruptly resigned. He was sued by Treasurer Cahill on October 7, with the purpose of the Cahill campaign seeking to enjoin from releasing campaign secrets. In response, Meldrom replied that he was a whistle blower and that he had

evidence to provide to the Attorney General's Office and to others that the Cahill campaign had improperly influenced this Lottery ad campaign. At that time the Republican Party also filed complaints alleging similar facts with the state Ethics Commission. On October 14, through a court ruling on that civil suit Meldrom released a series of texts that appeared to show a strong coordination between the Cahill campaign and the Lottery advertising. At that time our office took action asking the Lottery to take down those ads, they did that pending a full investigation by our office and as a result, members of the Attorney General's Office Public Integrity Division and the Massachusetts State Police assigned to our office began an extensive investigation reviewing thousands of emails, phone records and other documents, interviewing dozens of witnesses from the Cahill campaign, the Treasury, the State Lottery, and others. We then presented extensive evidence to a Grand Jury that we allege demonstrates an orchestrated effort by Treasurer Cahill to coordinate the message and the timing of the Lottery ads to unlawfully assist his own campaign for Governor.

We allege that when the Cahill campaign conducted focus groups on July 26 and July 27 in 2010, they wanted to identify message that would resonate with voters for the Cahill for Governor campaign. The significant takeaway from those focus groups at that time was that the Treasurer's leadership of a successful and well managed Lottery, was the major selling point for him as a candidate for Governor.

We believe that those focus groups were the impetus for the entire scheme, because within one day, the Treasurer and his campaign began the process to begin the Lottery ads, funded by taxpayers, to promote his own campaign message of effective leadership of the Lottery. For example, July 27th, the campaign manager met Cahill and then relayed a series of texts to another campaign staffer saying, and you can see over here, exactly what that message was:

"I just got the go ahead on everything we discussed. Yes, on the Lottery ads and he has plenty of money. Cahill thinks most of \$2 million is there. We just found a million for extra publicity, but Cahill can't be in the ad. But we run ads about the Lottery being well run and putting money back in communities. I'm going to speak with an ad company about copy, Cahill agreed."

We also found evidence that the Treasurer contacted the Lottery's advertising firm on July 28 and the firm quickly began plans to run what's called a permission TV ad, ostensibly on behalf of the Lottery. Let me just explain the permission ad. It's a kind of ad that is not just run in Massachusetts that will deliver the message that the benefits of Lottery money, in other words, to communities in Massachusetts to financially in cities and towns, is a good thing, and it thereby gives permission to people who might not ordinarily play the Lottery to purchase those tickets as gifts or for themselves because they feel the benefit will be also to something other than playing the Lottery.

We allege that the script of the permission ads which had been on file and had been used before in the past, was changed. We allege that in coordination with the Cahill campaign to specifically match, the messages identified in the Cahill campaign focus groups promoting a well-managed Lottery. Well-managed and that message was not a historic message for the permission concept in the past, but it certainly was consistent and important for the Cahill campaign for Governor.

Interestingly, as late as the summer of 2010, we found no evidence that the Lottery itself had any plans to run television advertising during September or October. And in fact, the priorities of the Lottery at that time were similar to other years in which they had focused on the holiday period, a big time for Lottery sales between November, Thanksgiving, and Christmas as well as other times like a big jackpot when they know that promotion will result in increased sales and indeed more money for cities and towns, etcetera. So, if we look at what the history in the last four years prior to 2011 were for Lottery advertising budgets, you see that in years '08 and '09 when the Lottery had an advertising budget of 10 million dollars, the amount spent on permission ads is relatively small, and when the budget got cut in 2010 to two million dollars there was no money spent on permission ads, and yet, come to 2011, we find 1.5 million dollars, 75 percent of the budget, is going to be dedicated to the permission ads, coincidentally at the very same time that Cahill is running for Governor. Prior to this, as we see, the use of money for permission ads had been on the decline, and so the use of the Treasurer's three-quarters of the budget for a permission ad during this time period is unprecedented.

The message included in these ads and the timing of these ads, we allege, was an unwarranted and unlawful benefit to Cahill and his gubernatorial campaign, and as a result, Treasurer Cahill would have had virtually nothing at all at the Lottery to promote sales during the critical holiday season, or indeed, for any priorities through June of 2011 for which that budget was the only money available. In terms of the charges the grand jury returned on procurement fraud, these charges are based on statements, misrepresentations, and efforts of Treasurer Cahill and others to portray this ad campaign as Lottery advertising being run for the benefit of the Lottery and on the actions that they took to ensure that television and radio ads were broadcast at the time they were during his gubernatorial campaign, which were to his benefit, personal and political benefit.

In 2009, as a result of an update in our ethics law, the State Legislature changed what would have been previously a civil violation, conflict of interest, obtaining an unwarranted benefit, to a criminal violation. They made it clear that one's use or abuse of an office was to be taken seriously and the Legislature indicated that this was unpermitted behavior. We believe that this behavior by Cahill and by his campaign was exactly that kind of unwarranted, privileged gain as a result of his position, and therefore we allege it is a violation of that statute. Treasurer Cahill is innocent until proven guilty, these charges will be tried in a court of law, and I will take questions.